



**Sean Rogan**  
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION**  
**of the County of Los Angeles**

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**Gloria Molina**  
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Commissioners

# ADOPTED

Community Development Commission

June 07, 2011

#2-D          JUNE 7, 2011

The Honorable Board of Commissioners  
Community Development Commission of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Dear Commissioners:

**APPROVE THE FISCAL YEAR 2011-2012 BUDGET OF THE COMMUNITY DEVELOPMENT  
COMMISSION  
(ALL DISTRICTS) (3 VOTE)**

**SUBJECT**

This letter recommends approval of the Fiscal Year 2011-2012 Budget of the Community Development Commission of the County of Los Angeles (Commission). It relates to another item recommending approval of the Fiscal Year 2011-2012 Budget of the Housing Authority of the County of Los Angeles (Housing Authority).

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Adopt and instruct the Mayor to sign a Resolution (Attachment A) approving the Commission's Fiscal Year 2011-2012 Budget, which includes revenues and expenditures of \$157,221,600.
2. Adopt and instruct the Mayor to sign a Resolution (Attachment B) approving the cost allocation model developed in conjunction with the Commission's external auditors, Klynveld Peat Marwick Goerdeler (KPMG), in April 2002.
3. Determine that the use of \$95,765 for planning and administrative expenses charged to the Low- and Moderate-Income Housing Fund is necessary for production, improvement, or preservation of low- and moderate-income housing for the designated redevelopment project areas of the County of Los Angeles (County).
4. Instruct the Executive Director to implement the Commission's Fiscal Year 2011-2012 Budget and take all related actions for this purpose, including the execution of all required documents.

5. Find that the approval of the Commission's Fiscal Year 2011-2012 Budget is not subject to the California Environmental Quality Act (CEQA) because the activities are not defined as a project under CEQA.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended actions is to establish new fiscal year appropriation authority for the Commission and the Housing Authority for operations and activities.

The United States Department of Housing and Urban Development (HUD) requires formal approval annually for the cost allocation plan that was developed in 2002 by KPMG, its external auditors at the time. The details of the allocation plan were submitted to your Board in May 2007, and subsequently approved in June 2007. The allocation methodology remains the same for Fiscal Year 2011-2012.

### **FISCAL IMPACT/FINANCING**

The combined Fiscal Year 2011-2012 Budgets include \$157,221,600 for the Commission and \$340,084,600 for the Housing Authority, for a total of \$497,306,200, an increase of \$3,691,900, or .75%, over Fiscal Year 2010-2011. The increase is due primarily to an increase in the Housing Authority's housing assistance payments and use of reserves, as well as an increase in external construction projects that the Commission is overseeing on behalf of the County. These increases are offset by a decrease in the Commission budget for near completion of the South Health Center, Homeless Prevention and Rapid Re-housing program and the Community Development Block Grant Recovery (CDBG-R) funds from the American Recovery and Reinvestment Act (ARRA) of 2009.

In April 2011, the President signed the appropriations bill for Federal Fiscal Year 2011 which was seven months after the year had started and rendered larger than expected cuts to the Housing Choice Voucher Administrative fund and Community Development Block Grant (CDBG) Program at 22% and 18% respectively. At this time we are still awaiting the State Legislature's final action on the Governor's proposal to eliminate redevelopment agencies as part of the 2011-12 budget solution, as this proposal may negatively impact our agency as well. Due to the National deficit, and uncertainty with the State budget, we foresee additional cuts for 2012 and may be returning to your Board later this year for additional budget reductions in order to reduce the administrative costs of the agency.

A total of \$11 million in reserves are budgeted for Fiscal Year 2011-2012 to be used for priority initiatives that require additional funding. The majority of these reserves are from the Commission's general fund in the amount of \$6.7 million, which will be used to fund any shortfall for retiree medical expenses, Section 8 Administrative costs, Auditor Controller Audit expenses, excess legal fees and Ujima security and maintenance. They will also be used for construction expenses as a loan to the Maravilla Housing Development Project for an Energy Performance Contract with HUD which will be repaid over 15 years through utility cost savings. Other reserves of \$2.8 million include Public Housing prior year's surplus and Ujima replacement reserves. Additionally, the Section 8 program is projecting to use approximately \$1.5 million of Housing Authority administrative reserves to help offset administrative expenses due to a significant reduction in HUD administrative funding for 2011.

The combined Fiscal Year 2011-2012 Budgets include \$40,203,851 in County funds; \$24 million are for various capital projects in First, Second and Fourth Supervisorial Districts that the Commission is administering on behalf of the County. Additionally, \$11.5 million are in support of Homeless for

various projects including the Homeless and Housing Program Fund (HHPF). A total of \$475,000 is being requested to support the University of California Cooperative Extension Program at its current level. The remaining funds will support countywide initiatives such as the South Whittier Community Resource Center, SocialServe.com, and Fraud Investigation efforts in the Antelope Valley.

## MAJOR FUNDING SOURCES

The combined Fiscal Year 2011-2012 Budgets include \$157,221,600 for the Commission and \$340,084,600 for the Housing Authority. The budgets consist primarily of federal funding provided by HUD for housing and community development programs. Local revenue sources include public housing dwelling rental income and redevelopment tax increment funds, including those administered on behalf of the City of Industry.

This budget also includes relocation costs for the long term capital lease with Community Development Properties Los Angeles, Inc. which was approved by your Board on April 26, 2011. The relocation budget is approximately \$1.7 million and will be charged to program divisions based on a proration of the square footage to be occupied at the new building. The Commission and Housing Authority currently operate out of three administrative offices and the relocation to the new Alhambra building will house all administrative staff.

## COMMUNITY DEVELOPMENT COMMISSION

In Fiscal Year 2011-2012, the Commission's programs will be supported by five major funding sources; CDBG funds, Other Federal Revenue, State/County Revenue, HOME funds and Sound Attenuation funds.

The 2011-2012 CDBG Program is budgeted at \$45.7 million, which includes the annual Federal Entitlement and unspent prior-year carryover funds. The Urban County Entitlement annual allocation is estimated to be \$26.4 million which reflects a reduction of 18% from previous year due to HUD funding cuts. This is the lowest funding received for this program since 1995 and reflects a cumulative reduction of over 38%. CDBG funds will be used by the Commission, the Housing Authority, 49 participating cities, seven County departments, 39 community-based organizations and other public agencies.

State and County Revenue is budgeted at \$39.7 million, which consists primarily of \$24 million for external construction projects in the First, Second and Fourth Supervisorial Districts and \$11.5 million for various Homeless Program Initiatives funded by the County in April 2006. This total also reflects \$3.4 million for support of the South Whittier Community Resource Center which includes \$2.8 million for replacement of temporary modular trailers with new construction. The temporary trailers have been used for approximately 40 years which has far exceeded their general life span of 15-20 years.

Other Federal Revenue is budgeted at \$16.5 million, which includes \$5.2 million for the Neighborhood Stabilization Program (NSP) funds, \$3.7 million in Homeless Prevention and Rapid Re-housing Program (HPRP) funds, \$2.9 million in CDBG Recovery funds (CDBG-R) funds \$3 million in Economic Development Initiative (EDI) Grants is included primarily for carry over funds to complete construction of the South Health Center in the Willowbrook Community Redevelopment Project Area and for construction of a parking lot in the Florence/Firestone Community. The remaining \$1.8 million is primarily for Emergency Shelter Grants.

HOME funds are budgeted at \$12.3 million and will be used to provide soft seconds to assist low-income first-time homebuyers in purchasing existing homes, provide deferred loans to low-income homeowner for housing repairs, and provide financial assistance for the development, construction, and/or renovation of multifamily rental units, special needs housing, and for-sale housing units.

Sound Attenuation Grants for the Resident Sound Insulation Program (RSIP) are budgeted at \$11.9 million, which includes funding from Los Angeles World Airports and the Federal Aviation Administration to mitigate exterior noise impact from planes flying near homes around Los Angeles International Airport.

## HOUSING AUTHORITY

In Fiscal Year 2011-2012, the Housing Authority's programs will be supported by four major funding sources; Housing Assistance Payments, Public Housing Program Funds, Public Housing Capital Funds and City of Industry Tax Increment Funds.

The Housing Assistance Payments are budgeted at \$272.3 million, and are used to provide rental assistance to over 22,000 low- and very-low income families and seniors, and an additional 226 units for tenants residing at the Kings Road and Lancaster Homes project-based Section 8 public housing sites.

The Public Housing Program funding is budgeted at \$34.1 million, and is comprised primarily of \$11.3 million in rent revenues and \$6.7 million in operating subsidies. These funds are used to manage and maintain 3,336 public and affordable housing units, and provide resident services. The Public Housing budget also includes \$7.3 million in operating reserves and \$4.5 million in block grant funds for services and rehabilitation efforts at various housing sites.

The Public Housing Capital Fund Program is budgeted at \$13 million which will be used to provide continuous rehabilitation and improvements at Housing Authority-owned public housing sites.

City of Industry Tax Increment Funds are budgeted at \$18 million for the Housing Authority for the development of housing for low-income individuals, families, and special needs populations. To date, a total of \$206.2 million has been awarded in City of Industry funds, leveraging approximately \$1.53 billion to develop 6,429 units of affordable rental, homeownership and special needs housing units.

## STAFFING

For Fiscal Year 2011-2012, the Commission is budgeting 542 regular positions and 75 contract positions for a total of 617 positions. This is a net decrease of 27 positions from Fiscal Year 2010-2011 due to funding reductions from HUD in both the Assisted Housing and CDBG division funding. Of the 27 positions, seven positions were vacant, resulting in 20 staff lay-offs primarily in the Assisted Housing Division due to funding constraints.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In January 2001, the Commission and the Housing Authority, with the concurrence of the County Auditor-Controller, developed an administrative policy for establishing a capital budget. Fiscal Year 2011-2012 marks the eleventh year that Housing Authority will submit a capital budget that details ongoing and future projects. The Fiscal Year 2011-2012 operating budget includes \$6.7 million in

Housing Authority capital projects for ongoing and new projects.

On May 24, 2011, your Board approved the 2011-2012 One Year Action Plan (Action Plan) for the allocation of federal funds, which includes the planned use of CDBG, HOME, and Emergency Shelter Grant (ESG) funding by the Commission, the Housing Authority, County departments, participating cities, and community-based organizations. The Action Plan was created with citizen input, as required by federal regulations. The recommendations approved by your Board are reflected in the proposed Fiscal Year 2011-2012 Budgets.

Adoption of the attached Resolutions approving the Fiscal Year 2011-2012 Budgets is necessary to establish new fiscal year appropriation authorities for the Commission and the Housing Authority, to receive funding, and to comply with Federal Notice 94-66 (Public Housing Authority) from HUD's Office of Public and Indian Housing, issued September 21, 1994. HUD Form 52574 must also be approved by your Board to certify approval of the Housing Authority's operating budget. In addition, per the California Health and Safety Code Section 33334.3, the Board must determine that a portion of tax increment funds set aside for the production, improvement or preservation of low- and moderate-income housing can be used for planning and administrative expenses, and that a total of \$95,765 may be used for this purpose during Fiscal Year 2011-2012.

County Counsel has approved the attached Resolutions as to form. On May 25, 2011, the Housing Commission recommended approval of the Housing Authority's Fiscal Year 2011-2012 Budget and related actions.

### **ENVIRONMENTAL DOCUMENTATION**

Approval of the Commission and Housing Authority's Fiscal Year 2011-2012 Budgets is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because they involve administrative activities that will not have a physical impact or result in any physical changes to the environment. The activities are not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378(b) because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

### **CONTRACTING PROCESS**

HOME funds and City of Industry Tax Increment funds are allocated to developers through an annual competitive proposal process. These funds are used to develop multifamily rental, senior rental, affordable for-sale and special needs housing. Projects are selected to maximize the impact of these housing funds based on viability, financial feasibility, appropriateness to geographic location, and community need. The HOME funds are used in unincorporated County areas and participating cities. The City of Industry funds are used within a 15-mile radius of the City of Industry.

Each of the five Supervisorial Districts allocate and award CDBG funds to non-profit agencies to conduct projects that address housing and community development needs of the County.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the Fiscal Year 2011-2012 Budgets will enable the Commission and the Housing

The Honorable Board of Supervisors

6/7/2011

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Authority to conduct program activities to benefit low- and moderate-income residents of the County and participating cities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:krs

Enclosures

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

RESOLUTION APPROVING THE 2011-2012 FISCAL YEAR  
BUDGET OF THE COMMUNITY DEVELOPMENT COMMISSION  
OF THE COUNTY OF LOS ANGELES

WHEREAS, it is necessary for the Board of Commissioners of the Community Development Commission of the County of Los Angeles to adopt an annual budget.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners of the Community Development Commission of the County of Los Angeles, hereby adopts the following budgeted revenues and appropriations for the Community Development Commission of the County of Los Angeles for the 2011-2012 Fiscal Year, as set forth in the Annual Budget.

Estimated Funding: \$157,221,600

Expenditure and Reserve Appropriations: \$157,221,600

APPROVED AND ADOPTED by the Board of Commissioners of the Community Development Commission of the County of Los Angeles on this 7<sup>th</sup> day of June, 2011.

ATTEST:

SACHI A. HAMAI  
Executive Officer-Clerk of the  
Board of Commissioners

MAYOR MICHAEL D. ANTONOVICH  
Chairman, Board of Commissioners

By: Benjamin Zavala  
Deputy

By: Mike Antonovich

APPROVED AS TO FORM:  
ANDREA SHERIDAN ORDIN  
County Counsel



By: Behnes Jeshelona  
Deputy



APPROVED AND ADOPTED by the Board of Commissioners of the Community Development Commission of the County of Los Angeles on the 7<sup>th</sup> day of June, 2011.

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Chairman, Board of Commissioners

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Deputy

By: Mike Antonovich

APPROVED AS TO FORM:  
ANDREA SHERIDAN ORDIN  
County Counsel

By: Behrooz Vashakorian  
Deputy

